

Twenty-Second
A N N U A L
R E P O R T
to Stockholders

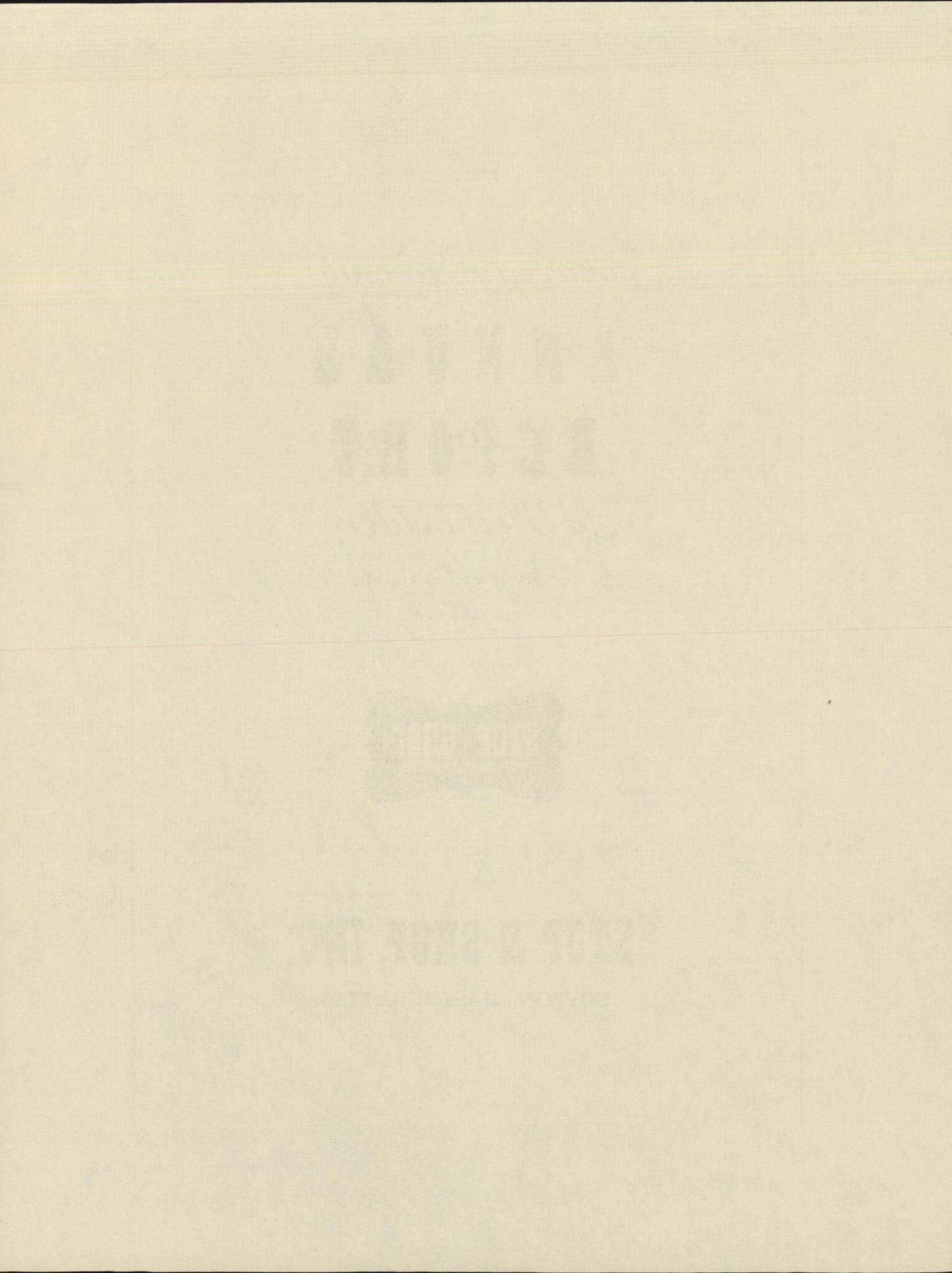
for Fiscal Period ending

June 28, 1947



STOP & SHOP, INC.

BOSTON, MASSACHUSETTS



STOP & SHOP, INC.

Officers

JOSEPH RABINOVITZ	President
SIDNEY R. RABB	<i>Chairman of the Board and Treasurer</i>
JACOB RABINOVITZ	<i>Vice-President</i>
NORMAN S. RABB	<i>Vice-President</i>
IRVING W. RABB	<i>Vice-President</i>
LLOYD D. TARLIN	<i>Assistant Treasurer</i>
MAX E. BERNKOPF	<i>Clerk</i>

Directors

MAX E. BERNKOPF	Boston, Mass.
A. K. COHEN	Boston, Mass.
IRVING W. RABB	Boston, Mass.
NORMAN S. RABB	Boston, Mass.
SIDNEY R. RABB	Boston, Mass.
JACOB RABINOVITZ	Boston, Mass.
JOSEPH RABINOVITZ	Boston, Mass.
LLOYD D. TARLIN	Boston, Mass.
LESTER WATSON	Boston, Mass.

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

To the Stockholders of Stop & Shop, Inc.:

At the annual meeting on September 9th, 1946, our stockholders approved the recommendation of the Directors that the name of the company be changed to "Stop & Shop, Inc." and authorized the issuance of two shares of \$1 par stock for each share of no par stock then outstanding. This twenty-second annual report to stockholders is the first report under our new corporate name, and records the most successful year in our history.

Sales and earnings for the past year reached a new peak.

Net sales for the fiscal year, which ended June 28, 1947, were \$42,529,423, an increase of \$9,144,158 or 27.4% over the preceding year.

The consolidated net profit for the period rose to \$757,171 from \$420,256 last year, a gain of 80.2%. The current year's earnings amounted to \$3.24 per share on the increased number of common shares, exclusive of treasury stock, now outstanding, as against \$1.80 per share last year on the same number of shares. In addition, we have established out of current earnings, a reserve of \$100,000 for future inventory devaluation and relocating of plant facilities.

Four regular dividends of 15c per share and one extra dividend of 25c per share, a total of 85c per share, were paid on the new stock during the fiscal year.

Provision for federal income taxes amounted to \$647,571 compared with \$526,101 last year. Depreciation for the past year was \$247,474 as compared with \$212,333 in 1946.

Your company's net working capital increased from \$3,480,140 to \$3,622,587 during the fiscal year. Of this, cash and government bonds now aggregate \$2,652,365.

Because of building restrictions which existed prior to July 1st, we have been unable to progress very far on our comprehensive post-war building and remodeling program. Only two stores were enlarged and one was completely remodelled during the year. Eight of our smaller units were closed.

A planned program for building by our subsidiary companies has been developed and we are going forward with these plans as quickly as is practical. In addition, arrangements have been made for the leasing of other stores, completion of which will depend largely on how soon the lessors can build to our specifications.

As of January 2nd, 1947, the company contracted with a trucking company to do substantially all of our hauling. As a result, a substantial portion of our fleet of trucks was sold, and a profit of \$41,625 was realized over and above the depreciated book value. Our real estate subsidiary also sold a parcel of real estate which shows a profit of \$5,414 so that our total gain from the sale of fixed assets was \$47,039.

In connection with the sale of our trucks, I am happy to report that we were able to arrange for our fleet personnel to be employed by our new contract carrier. All employee benefits enjoyed with us were also continued.

Intensive studies of our warehouse material handling problems have already shown substantial economies in operations, and further operating improvements are expected.

During the past year, most of the items that had been missing from our shelves because of the war have reappeared. Meat rationing ended last October and most price controls ended shortly thereafter. Sugar rationing, the last of the wartime controls on retail food sales, was discontinued in June.

Since last July, and especially since termination of O.P.A., there has been a sharp increase in food prices. This was due in part to the discontinuance of governmental subsidy on meat and other basic foods. A large part of our sales increase is represented by this price rise.

When meat price control ended, the meat supply situation improved rapidly. We were then able to discontinue the meat slaughtering activities in which we had been engaged for over three years. This had been the principal means by which we could obtain a reasonable meat supply for our customers during the period of limited meat supply.

Fine quality baked foods are playing an increasingly important role in the meal planning of the American housewife. Recognizing this, your company has invested in a newly formed affiliate to expand our activities in bringing the finest bakery products to our customers.

Average earnings by employees have reached a new high peak. Many of our store personnel have participated in training programs designed to make their own jobs easier and their service to the customers more effective.

I am quite proud that we were one of the first in the field of food retailing to adopt an employee retirement plan. Our plan, only 2½ years old, now covers 93% of those eligible. These and other benefits, plus our high wage rates, have enabled us to attract and to hold the most desirable type of personnel.

It has been our custom each year to report to our employees on the progress of the business. A copy of this employees' report will soon be sent to all stockholders. I know you will find this informal, illustrated report of interest.

In my report last year, I stated that it is our aim TO MAKE STOP & SHOP THE BEST PLACE TO TRADE and THE BEST PLACE TO WORK. We sincerely recognize the responsibilities we owe to our customers. It is only by continuing to meet these responsibilities to the satisfaction of our public that we can continue to grow and expand. On behalf of the management, I pay tribute to the fine group of Stop & Shop men and women whose splendid teamwork made possible the accomplishments recorded here.

Respectfully submitted,

Joseph Rabinovitz

President

Consolidated Balance Sheet

STOP & ST

(Including wholly-owned

Assets

CURRENT ASSETS:

Cash on hand and in banks.....		\$1,602,365.94
U. S. Government Bonds 2 1/4% due December 15, 1962-59		
U. S. Government Bonds 2 1/2% due December 15, 1972-67		
Accrued interest.....		501,470.00

Accounts Receivable:

Due from trade debtors, including recharges to manufacturers, municipal relief agencies, advances for employees' retirement funds and sundry claims less reserve.....

Due from employees.....

\$157,588.84		
8,040.80		165,629.64

Investments:

Officers' life insurance at cash surrender value.....

77,499.84

Inventories:

Physical inventories evaluated at average invoice cost or lower than cost, reflecting market prices, located in the company's warehouses, in storage, in stores, in transit and in vendors' premises.....

3,017,878.17

Total Current Assets..... \$5,364,843.59

INVESTMENT IN CAPITAL STOCK of an AFFILIATED CORPORATION (50% owned) at cost (See Note 1)

76,000.00

INVESTMENTS OF S. S. REALTY CO., INC. (wholly-owned affiliate) AND ITS AFFILIATE:

In real estate owned in fee simple at cost (See Note 2)...

839,210.27

FIXED ASSETS (at cost):

Land and buildings, D Street Warehouse, South Boston, Massachusetts owned in fee simple.....

\$ 520,383.83

22,943.67

2,322,084.48

457,861.57

87,956.61

\$3,411,230.16

2,112,965.46

1,298,264.70

Less — Reserves for depreciation.....

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned values
Rehabilitation costs of store locations, amortized over life of each individual lease.....

\$ 73,390.29

219,690.97

101,512.37

2,250.00

2,209.83

399,053.46

Construction, maintenance and store supplies.....

Unamortized expense on company Debenture bonds.....

Other deferred expenses.....

\$7,977,372.02

Sheet . . . June 28, 1947

HOP, INC.

affiliated companies)

Liabilities

CURRENT LIABILITIES:

Accounts payable — trade creditors on open account...	\$1,350,814.73
Amortization payments on real estate mortgages of S. S. Realty Co., Inc. (maturing within one year)....	30,000.00
Advance for construction on store location.....	2,950.00
<i>Accrued Accounts:</i>	
Federal income and excess profits taxes (estimated).....	\$672,017.49
<i>Less</i> — United States Treasury Tax	
Savings Notes, Series C.....	<u>550,000.00</u>
\$ 122,017.49	
Commonwealth of Massachusetts excise and local taxes	67,376.18
Social security and unemployment insurance — federal and state contributions.....	35,723.57
Other accrued items including payroll, rent and em- ployee profit sharing and bonuses.....	<u>133,374.76</u>
	<u>358,492.00</u>
<i>Total Current Liabilities</i>	\$1,742,256.73
3% SINKING FUND DEBENTURE BONDS due January 1, 1961 (See Note 3).....	1,000,000.00
Purchase money obligations of S. S. Realty Co., Inc. under mortgages on real estate to be amortized by monthly and quarterly payments for various periods not exceeding twenty years from dates of execution.....	227,406.20
RESERVE FOR FUTURE INVENTORY DEVALUATION AND RELOCATION OF PLANT FACILITIES.....	100,000.00
<i>CAPITAL:</i>	
Authorized 300,000 shares of \$1.00 par value capital stock of which 240,000 shares are issued and outstanding....	\$ 240,000.00
<i>Less</i> — Par value of 6,000 shares acquired for the treasury.....	<u>6,000.00</u>
	\$ 234,000.00
Capital Surplus.....	\$1,110,000.00
<i>Less</i> — Premium on treasury stock reacquired.....	<u>33,539.22</u>
	1,076,460.78
Surplus.....	<u>3,597,248.31</u>
	4,907,709.09
	<u>\$7,977,372.02</u>

ferred to in above statement

STOP & SHOP, INC.

Consolidated Profit and Loss Account

(Including wholly-owned affiliated companies)

	Fiscal Year Ended <u>June 28, 1947</u>	Fiscal Year Ended <u>June 29, 1946</u>	<i>Increase</i>
SALES.....	\$42,529,423.83	\$33,385,265.32	\$9,144,158.51
Less — Cost.....	34,343,799.80	26,716,888.06	7,626,911.74
MERCHANDISING PROFIT.....	\$ 8,185,624.03	\$ 6,668,377.26	\$1,517,246.77
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	229,515.77	254,022.74	* 24,506.97
Gain from sale of fixed assets (See Note 4).....	47,038.94		47,038.94
GROSS PROFIT.....	<u>\$ 8,462,178.74</u>	<u>\$ 6,922,400.00</u>	<u>\$1,539,778.74</u>
DEDUCT OPERATING EXPENSES:			
Stores selling expenses, warehouse and distribution costs, supervision and administrative expenses.....	\$ 6,679,663.36	\$ 5,726,010.08	\$ 953,653.28
Depreciation of buildings, equipment, trucks and automobiles.....	247,474.73	212,333.63	35,151.10
Interest.....	30,297.95	37,697.48	* 7,399.53
Total.....	<u>\$ 6,957,436.04</u>	<u>\$ 5,976,041.19</u>	<u>\$ 981,394.85</u>
Net profit before federal taxes.....	\$ 1,504,742.70	\$ 946,358.81	\$ 558,383.89
Deduct — Federal taxes (estimated).....	647,571.43	526,101.86	121,469.57
Less — Provision for future inventory devaluation and relocation of plant facilities	\$ 857,171.27	\$ 420,256.95	\$ 436,914.32
100,000.00			100,000.00
NET PROFIT TO SURPLUS.....	<u>\$ 757,171.27</u>	<u>\$ 420,256.95</u>	<u>\$ 336,914.27</u>

*Decrease

Consolidated Surplus Account

FISCAL YEAR ENDED JUNE 28, 1947

BALANCE, June 29, 1946.....	\$3,038,977.04
Add — Net Profit for the fiscal year ended June 28, 1947.....	757,171.27
	<u>\$3,796,148.31</u>
<i>Deduct:</i>	
Cash dividends paid — \$.85 a share on 240,000 shares outstanding.....	\$ 204,000.00
Less — Dividends on capital shares held in treas- ury	5,100.00
	198,900.00
BALANCE, June 28, 1947.....	<u>\$3,597,248.31</u>

NOTES RELATING TO FINANCIAL STATEMENTS

Stop & Shop, Inc. . . . June 28, 1947

NOTE 1	The authorized capital stock of this corporation consists of 1,250 shares of 3% cumulative Preferred with a par value of \$100.00 which is redeemable at par and has no voting power, of which 750 shares have been issued to Stop & Shop, Inc. for a cash consideration of.....	\$ 75,000.00
	and 5,000 shares of Common with no par value, having sole voting power of which 200 shares have been issued for \$2,000.00, of which 100 shares were issued to Stop & Shop, Inc. for.....	
		1,000.00
	<i>Total Cost</i>	<u>\$ 76,000.00</u>
		<u>\$ 17,999.29</u>
NOTE 2	This company on June 28, 1947 had an operating deficit of	
	<i>Cost of land and buildings of various acquired locations</i>	\$1,106,447.57
	<i>Less — Accrued depreciation of buildings</i>	<u>55,563.30</u>
		<u>\$1,050,884.27</u>
	<i>Deduct — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies)</i>	<u>211,674.00</u>
	Balance representing the company's equity subject to mortgages in the aggregate sum of \$257,406.20 shown as a liability in the Balance Sheet.....	<u>\$ 839,210.27</u>
	Included in this real estate equity is a deposit of \$7,500.00 for a certain parcel of land conveyed to the company on August 7, 1947 for a total cash consideration of \$75,000.00	
NOTE 3	The Indenture with respect to the 3% Sinking Fund Coupon Debentures due January 1, 1961 prescribed the redemption of these Debentures through the operation of a Sinking Fund created by the payment in cash of a sum sufficient to redeem \$100,000.00 in principal amount of the Debentures, including unpaid interest, on or before December 31, 1951 and a similar amount on or before December 31st of each year thereafter to and including December 31, 1959.	
	The Indenture also prescribed that the company will not at any time pay dividends on its capital stock, or purchase, redeem or otherwise retire any shares of its capital stock unless paid out of the consolidated earned surplus in excess of \$2,000,000.00 on June 30, 1945 plus consolidated net earnings subsequent thereto, and plus any cash proceeds derived from the sale of the company's capital stock (exclusive of that portion of the net proceeds used to purchase, redeem or otherwise retire any of its shares of capital stock), and unless the provisions with respect to Sinking Fund have been complied with and any cash payments made thereto or therefor shall have first been deducted from the accumulated earnings and proceeds from sale of capital shares as aforesaid. At June 28, 1947, approximately \$1,481,000.00 of the Earned Surplus was free of dividend restrictions.	
NOTE 4	As of January 2, 1947 the company contracted with a trucking company to do substantially all of its hauling. In connection therewith, a substantial portion of its fleet of trucks was sold and a profit realized over and above the depreciated book values of.....	\$ 41,625.04
	A parcel of real estate was sold with a realized profit of ...	\$ 5,413.90
	<i>Total Gain from Sale of Fixed Assets</i>	<u>\$ 47,038.94</u>

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc. including its wholly-owned affiliates, S. S. Realty Co., Inc. and S. S. Eustis Co., Inc. for the fiscal year ended June 28, 1947. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at June 28, 1947 and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY

Certified Public Accountants

By: MYRON HELLER, C.P.A.

Boston, Massachusetts

August 13, 1947

